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RECORDATION NO. 8771-B

Filed & Recorded

APR 4 1977-3 40 PM

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 8771-C

Filed & Recorded

APR 4 1977-3 40 PM

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 8771

Filed & Recorded

APR 4 1977-3 40 PM

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 8771-A

Filed & Recorded

APR 4 1977-3 40 PM

INTERSTATE COMMERCE COMMISSION

Dear Sir: INTERSTATE COMMERCE COMMISSION

Herewith for recordation pursuant to Section 20c of the Interstate Commerce Act, on behalf of The Kansas City Southern Railway Company, are counterparts of the following:

(1) Conditional Sale Agreement dated as of March 1, 1977, between Manufacturers National Bank of Detroit, as trustee, vendee, and ACF Industries, Incorporated, as builder, vendor.

(2) Lease of Railroad Equipment dated as of March 1, 1977, between The Kansas City Southern Railway Company, as lessee, and Manufacturers National Bank of Detroit, as trustee, lessor.

(3) Assignment of Lease and Agreement dated as of March 1, 1977, between Manufacturers Bank of Detroit, as trustee, lessor, vendee, and First Security Bank of Utah, National Association, as agent, vendor.

(4) Agreement and Assignment dated as of March 1, 1977, between ACF Industries, Incorporated, as builder, and First Security Bank of Utah, as agent, assignee.

The addresses of the parties to the aforementioned agreements are:

Carlyle E. Maw
David H. Breen

Trustee-Vendee-Lessor:

Manufacturers National
Bank of Detroit,
100 Renaissance Center,
Detroit, Michigan 48243.

Builder-Vendor:

ACF Industries, Incorporated,
750 Third Avenue,
New York, N. Y. 10017.

Lessee:

The Kansas City Southern Railway Company,
114 West 11th Street,
Kansas City, Missouri 64105.

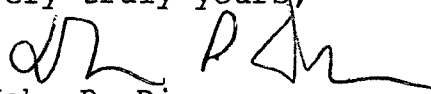
Agent-Vendor-Assignee:

First Security Bank of Utah,
National Association,
P. O. Box 3007,
79 South Main Street,
Salt Lake City, Utah 84125.

The equipment covered by the aforementioned agreements consists of 150 100-ton 60' 9" Box Cars, 200 100-ton 50' 6" Box Cars with lading anchors and 100 100-ton 50' 6" Box Cars with movable bulkheads bearing the road numbers of The Kansas City Southern Railway Company as listed in Schedule A hereto, and also bearing the legend "Ownership subject to a security agreement filed under the Interstate Commerce Act, Section 20c".

Enclosed is our check for \$100 for the required recordation fee. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,


John P. Dinn

Robert L. Oswald, Esq.,
Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls.

MM

8771 A
RECORDATION NO. Filed & Recorded

APR 4 1977 - 3 40 PM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of March 1, 1977

among

THE KANSAS CITY SOUTHERN RAILWAY COMPANY

and

MANUFACTURERS NATIONAL BANK
OF DETROIT, as Trustee

LEASE OF RAILROAD EQUIPMENT dated as of March 1, 1977, between THE KANSAS CITY SOUTHERN RAILWAY COMPANY, a Missouri corporation (hereinafter called the Lessee), and MANUFACTURERS NATIONAL BANK OF DETROIT, as Trustee (hereinafter called the Lessor) under a Trust Agreement dated as of the date hereof (hereinafter called the Trust Agreement) with FORD MOTOR CREDIT COMPANY (hereinafter called the Beneficiary).

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Documentation) with ACF Industries, Incorporated (hereinafter called the Builder), wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (hereinafter called the Units);

WHEREAS the Builder is assigning its interests in the Security Documentation pursuant to an Agreement and Assignment (hereinafter called the Assignment) to First Security Bank of Utah, National Association, acting as Agent (hereinafter together with its successors and assigns called the Vendor), under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessee, the Lessor, the Beneficiary and the parties named in Schedule A thereto;

WHEREAS the Lessee desires to lease such number of Units as are delivered and accepted and settled for under the Security Documentation at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS the Lessor will assign this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement (hereinafter called the Lease Assignment) and the Lessee will consent to the Lease Assignment pursuant to a Lessee's Consent and Agreement (hereinafter called the Consent);

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following

terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Documentation, or against the Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Security Documentation. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Security Documentation. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit

is found to be in accordance with the Specifications (as defined in the Security Documentation), to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Security Documentation, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the last sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The Lessee will not accept the delivery of any Unit unless the conditions of the second proviso of the first paragraph of Article 3 of the Security Documentation are met. The delivery, inspection and acceptance hereunder of any Unit excluded from the Security Documentation shall be null and void and ineffective to subject such Unit to this Lease.

§ 3. Rentals. The Lessee agrees to pay the Lessor, as rental for each Unit subject to this Lease, a payment on the Cut-Off Date (as defined in the Participation Agreement) and 31 consecutive semiannual payments on January 25 and July 25 in each year, commencing July 25, 1977. The rental payment due on the Cut-Off Date shall be an amount equal to the amount required to be paid by the Lessor pursuant to clause (a) of the penultimate paragraph of Paragraph 9 of the Participation Agreement. The rental payment due on July 25, 1977, shall be an amount equal to the sum of (i) .02292% of the Purchase Price (as defined in the Security Documentation) of each Unit then subject to this Lease for each day (computed on the basis of a 360-day year) elapsed from the Closing Date for such Unit to and including the date of such payment, and (ii) the amount required by the Lessor to make the payment provided for in clause (b) of the penultimate paragraph of Paragraph 9 of the Participation Agreement. The rental payment due on January 25, 1978, shall be in an amount equal to the sum of (i) .0249% of the Purchase Price of each Unit then subject to this Lease for each day (computed on the basis of a 360-day year) elapsed from July 25, 1977, or from the Closing Date for such Unit if such Closing Date occurred after July 25, 1977, to and including the date of such payment, and (ii) the amount required by the Lessor to make the payment provided for in clause (b) of the penultimate paragraph of Paragraph 9 of the Participation Agreement. The next 29 semiannual rental payments shall each be an amount equal to 4.4823% of the Purchase Price of each Unit then subject to this Lease.

The rental payments hereinbefore set forth are subject to adjustment pursuant to Paragraph 12 of the Participation Agreement and as provided by the last paragraph of this § 3.

If any of the semiannual rental payment dates referred to above is not a business day the semiannual rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, or Detroit, Michigan, are authorized or obligated to remain closed.

Unless the Assignment is not executed and delivered, the Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, other than the payments provided for in §§ 6 (except indemnification payments owing to the Vendor pursuant to Articles 6 and 13 of the Security Documentation) and 9 hereof, but including without limitation the payments provided for in this § 3 and in § 7 hereof, at the principal office of the Vendor until the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment (as defined in the Security Documentation), together with interest and all other payments required by the Security Documentation, for the account of the Lessor in care of the Vendor, with instructions to the Vendor (subject to the provisions of the Consent) first, to apply such payments to satisfy the obligations of the Lessor under the Security Documentation, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Documentation could constitute an event of default under the Security Documentation shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor or as otherwise provided in the Lease Assignment and the Consent, by 11:00 a.m., local time, on the date when and in the city where such payment is due.

In the event that a Certificate of Acceptance for any Unit is issued after June 30, 1977, or any Unit is settled for on any Closing Date after August 31, 1977, then the rental payments hereinbefore set forth and the Casualty Values set forth in § 7 shall be increased by such amounts as shall in the reasonable opinion of the Beneficiary, cause the Beneficiary's net after tax annual cash flows and net after tax rates of return to be at least the same as such cash flows and rates of return would have been had such Certificate of Acceptance been issued on or prior to June 30, 1977, or had such Unit been settled for on any Closing Date on or prior to August 31, 1977.

If prior to January 1, 1978, there is an increase or decrease in the amount of the Investment Tax Credit (as defined in Paragraph 12 of the Participation Agreement but not including any Investment Tax Credit allowable by reason of section 46(a)(2)(B) of the Internal Revenue Code of 1954 as amended) available to the Beneficiary, as determined by the Beneficiary, with respect to any Unit of Equipment, the basic lease rate factor per Unit of Equipment will be decreased or increased by a constant amount such that the present value of rental adjustment (computed at 8.25% per annum) will be 50% of the percentage change in the Investment Tax Credit, excluding any change in the Investment Tax Credit in excess of two percentile points, multiplied by the Purchase Price of the Equipment, provided that no such increase or decrease shall be in an amount such that the Beneficiary's net return on its investment would be, as determined by the Beneficiary, less than the net return assumed by the Beneficiary in originally evaluating the transaction contemplated by the Participation Agreement and this Lease, and provided that the Agent, as defined in the Participation Agreement, shall consent to any necessary changes in Schedule I to the Security Documentation.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the day prior to the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the Security Documentation. If an event of default should occur under the Security Documentation, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

§ 5. Identification Marks. The Lessee will cause at its expense each Unit to be kept numbered with the road number set forth in Schedule A hereto, or in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 20c", or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's title and Vendor's security title to and interest in such Unit and the rights of the Lessor under this

Lease and of the rights of the Vendor under the Security Documentation. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Documentation shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal, or foreign taxes (other than any United States Federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein and other than state or local taxes measured by net income or value added, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) now or hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Documentation, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof (except as provided above) or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or the interest of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions

of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof is permitted by law and does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the Security Documentation. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event that the Lessor shall become obligated to make any payment pursuant to Article 6 of the Security Documentation to the Builder or the Vendor or otherwise pursuant to any correlative provision of the Security Documentation not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

In the event any returns, statements or reports with respect to impositions are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Vendor in such Units.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in the Lessor's own name and on the Lessor's behalf; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's

performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition, reasonable wear and tear excepted.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever or taken or requisitioned by condemnation or requisitioned for use or otherwise, except requisition for use by the United States Government for a stated period not in excess of the then remaining term of this Lease (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully inform the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such Casualty Occurrence the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit determined as of the date of such rental payment date in accordance with the schedule referred to below. As of the rental payment date on which the Casualty Value is due the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. Any Casualty Value not paid when due shall accrue interest as provided in § 16 hereof. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set

forth in Schedule B hereto opposite the rental payment date next succeeding the actual date of such Casualty Occurrence, or if there is no such rental payment date, the last rental payment date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit, and the Lessee shall be entitled to the net proceeds of any sale to the extent they do not exceed the Casualty Value of such Unit.

In the event of the requisition for use by the United States Government (hereinafter called the Government) of any Unit during the term of this Lease or any renewal thereof not constituting a Casualty Occurrence all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained property insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts and against risks comparable to those insured against by the Lessee on similar equipment owned by it. Any policies of public liability insurance carried in accordance with this paragraph shall (i) require 30 days prior notice of cancellation or the removal of the Lessor or the Beneficiary as named insureds to the Lessor and the Beneficiary and (ii) name the Lessor and the Beneficiary as additional named insureds as their respective interests may appear.

Upon the execution of this Lease, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant hereto, the Lessee shall deliver to the Lessor and the Beneficiary a certificate of insurance issued by an authorized representative of the insurers for the insurance maintained pursuant to this § 7; provided, however, that if the delivery of a formal certificate is delayed, the Lessee shall deliver an executed binder with respect thereto and shall deliver the formal certificate upon receipt thereof.

§ 8. Reports. On or before April 30 in each year, commencing with the calendar year 1978, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Documentation, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Lease in the case of the first such statement) or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the Security Documentation have been preserved or replaced. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable

times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Item 3 of Annex A and the patent infringement and indemnification provisions of Article 13 of the Security Documentation; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including without

limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of the Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense and the Lessor will have title thereto. Notwithstanding the preceding sentence, the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the Security Documentation.

Except as set forth in the first paragraph of § 7 and the second paragraph of § 9 hereof, the Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units (and do not adversely and materially affect the value of the Units). The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee and shall be removed by it upon the return of the Units pursuant to §§ 11 and 14 hereof, except to the extent such additions, modifications or improvements are made in order to comply with the next paragraph hereof.

Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of its agreements contained in the immediately preceding paragraph, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads and of the Interstate Commerce Commission, and all lawful rules of

the Department of Transportation or any other applicable regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the Security Documentation) shall immediately be vested in the Lessor and the Vendor as their respective interests may appear in the Unit itself.

The Lessee agrees to indemnify, protect and hold harmless the Lessor, the Beneficiary and the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of, or the occurrence of a default, an event of default or an Event of Default under, the Security Documentation, the Participation Agreement or this Lease, the ownership of any Unit, the retention by the Vendor of a security interest in any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage, inspection or return of any Unit or any accident in connection with the operation, use, condition, possession, storage, inspection or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease, or the transfer of the security interest in the Units by the Vendor pursuant to any provision of the Security Documentation. The indemnities arising under this paragraph do not include the payment of principal or interest on the Conditional Sale Indebtedness (as defined in the Security Documentation) and shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units, the security interest of the Vendor in the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

A. default shall be made in payment of any amount provided for in §§ 3, 7 or 13 hereof, and such default shall continue for five days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee, contained herein, in the Consent or in the Participation Agreement, and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee, specifying the default and demanding that the same be remedied or if the representations of the Lessee contained in the Participation Agreement shall have been materially incorrect when made;

D. a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee, under this Lease or under the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier;

E. any other proceedings shall be commenced by or against the Lessee, for any relief which includes, or might result in, any modification of the obligations of the Lessee, hereunder or under the Consent, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any

readjustments of the obligations of the Lessee, hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease or under the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee, or for the property of the Lessee, in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

F. an event of default set forth in Article 15 of the Security Documentation shall have occurred arising out of any default by the Lessee, in performing any of its obligations hereunder or under the Consent;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units so terminated shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units so terminated may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any

and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts which the Lessor, in its sole discretion, shall specify (x) a sum, with respect to each Unit, which represents (A) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, plus (B) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental, plus (C) an amount computed in accordance with Paragraph 12 of the Participation Agreement, or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the net proceeds of the sale of the Equipment if sold, or, if not sold at such time, the amount the Lessor reasonably estimates to be the sales value of such Unit at such time.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative

and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

Except as otherwise provided in this Lease and the Security Documentation, the Lessee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Units, or any one or more thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Lessor's rights under this Lease and the Security Documentation and any and all rights of the redemption.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or reoccurrence of any such contingencies or similar contingencies.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and meet the standards then in effect under the Interchange Rules of the Association of American Railroads applicable to railroad equipment of the same type as the Units. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units

have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Units in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All gross amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .0249% of the Purchase Price of such Unit for each such day exceeds all gross amounts earned with respect to such Unit and received by the Lessor for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9 and 10 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns (including the Vendor).

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Documentation, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and the Security Documentation, but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Documentation, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, or a written sublease for a term not exceeding one year, but only upon and

subject to all the terms and conditions of this Lease and the Security Documentation; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units. The Lessee represents and warrants to the Lessor that the Units will be used, and are intended for use, in connection with interstate commerce.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Consent) into or with which it shall have become merged or consolidated or which shall have acquired its property as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

§ 13. Renewal and Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than six months prior to the end of the original term or any extended term of this Lease, as the case may be, elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for three additional two-year periods commencing on the scheduled expiration of the original term or any extended term of this Lease, as the case may be, provided that no such extended term extends beyond July 24, 1998, at the then "Fair Market Rental" payable in semiannual payments on January 25 and July 25 in each year of such extended term.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from

such rental. If, after 30 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental of the Units, such rental shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such rental by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental of the Units subject to the proposed extended term within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

The Lessor agrees that (provided no default hereunder shall have occurred and be continuing) it will not sell the Units, or any of them, unless the Lessor shall have

given the Lessee at least 30 business days' prior written notice of such sale, specifying the sale price and terms of such sale, and the Lessee shall have had the opportunity to purchase all of the Units relating to such sale at the same price and on the same terms as specified in such notice. Such opportunity of the Lessee shall continue for a period of 20 business days, commencing on the date it receives such notice from the Lessor. The foregoing right of the Lessee shall expire 90 days after the termination of this Lease or any renewal thereof. Upon payment of the purchase price of any Unit, the Lessor shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without recourse, representation or warranties of any kind) for such Unit such as will transfer to the Lessee such title to such Unit as the Lessor derived from the Vendor, free and clear of all liens, security interests and other encumbrances arising through the Lessor.

§ 14. Return of Units upon Expiration of Term.

The Lessor intends to retain the Units for re-lease at the expiration of the term of this Lease. As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any Unit not purchased by the Lessee, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 180 days after the actual return of any Unit to the Lessor's possession and transport the same, at any time within such 180-day period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee without charge to the Lessor for insurance. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and trans-

porting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All gross amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 30 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .0249% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Lease Assignment, the Security Documentation and the Assignment to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will (at its own expense) undertake the filing, registering, deposit, and recording required of the Lessor under the Security Documentation and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Security Documentation, the Assignment and the Lease Assignment; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the Security Documentation shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder, including without limitation §§ 3, 6, 7, 9 and 10 hereof, shall result in the obligation on the part of the Lessee promptly to pay,

to the extent legally enforceable, an amount equal to 12% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at 100 Renaissance Center, Detroit, Michigan 48243, attention of Corporate Agencies Administration, with copies to the Beneficiary at The American Road, Dearborn, Michigan 48121, attention of Vice President-CIR Financing, and to ITEL Capital Services Corporation, One Embarcadero Center, San Francisco, California 94111, attention of Contract Administration;

(b) if to the Lessee, at 114 West 11th Street, Kansas City, Missouri 64105;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and, except for the Participation Agreement, supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 19. No Recourse. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the repre-

sentations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements of Manufacturers National Bank of Detroit, or for the purpose or with the intention of binding said bank personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon the said bank as trustee under said Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Beneficiary or on account of any representation, undertaking or agreement of said bank as Lessor, or the Beneficiary, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

§ 20. Agreements for Benefit of Beneficiary. All rights of the Lessor hereunder (including, but not limited to, its rights under §§ 6, 7, 9 and 10 and the right to receive the rentals payable under this Lease) shall inure to the benefit of the Beneficiary and the Beneficiary's assigns under the Trust Agreement.

§ 21. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 22. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of Michigan; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

§ 23. Obligations of Lessor Under Security Documentation; Additional Rentals. In the event that the Lessor shall become obligated to make any payment (other than payments for Equipment pursuant to paragraphs 3 and 4 of

Article 4 of the Security Documentation) or to perform any obligations pursuant to the Security Documentation not covered by the provisions of this Lease, the Lessee shall pay such additional rentals hereunder and perform such obligations so that all of the Lessor's obligations (other than as aforesaid) pursuant to the Security Documentation shall be fully complied with, without regard for any limitation of liability of the Lessor contained in the Security Documentation. This Section is not to be construed as a guaranty of the Conditional Sale Indebtedness.

§ 24. Lessor's Right to Perform for the Lessee.

If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may upon notice to the Lessee itself perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amount at the rate of 12% per annum, payable by the Lessee upon demand.

§ 25. Immunities, Satisfaction of Undertakings.

No recourse shall be had in respect of any obligation due under this Lease, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto or the Beneficiary, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Lease.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

MANUFACTURERS NATIONAL BANK OF
DETROIT, as Trustee,

by

Authorized Officer

[Seal]

Attest:

Authorized Officer

THE KANSAS CITY SOUTHERN RAILWAY
COMPANY,

by

GE Kellogg
SENIOR Vice President

[Corporate Seal]

Attest:

Geraldine D. Dallas
Assistant Secretary

STATE OF MICHIGAN,)
) ss.:
COUNTY OF Wayne ,)

On this 1st day of April 1977, before me personally appeared DONALD E. BLACK to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of MANUFACTURERS NATIONAL BANK OF DETROIT, that one of the seals affixed to the foregoing instrument is the seal of said national bank, that said instrument was signed and sealed on behalf of said national bank by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national bank.



Notary Public

[Notarial Seal]

My Commission expires

LINDA NADEAU
Notary Public Wayne County, Mich.
My Commission Expires Feb. 6, 1979

STATE OF MISSOURI,)
) SS.:
CITY OF JACKSON,)

On this *1st* day of *April* 1977, before me personally appeared *S.E. Keelogg*, to me personally known, who, being by me duly sworn, says that he is a Vice President of THE KANSAS CITY SOUTHERN RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

G.B. Niedermeyer

Notary Public

[Notarial Seal]

My Commission expires
May 29, 1979

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>
100 Ton 60' 9" Box Cars	150	KCS 126004 KCS 126012 KCS 126021 KCS 126039 KCS 126047 KCS 126055 KCS 126063 KCS 126071 KCS 126080 KCS 126098 KCS 126101 KCS 126110 KCS 126128 KCS 126136 KCS 126144 KCS 126152 KCS 126161 KCS 126179 KCS 126187 KCS 126195 KCS 126209 KCS 126217 KCS 126225 KCS 126233 KCS 126241 KCS 126250 KCS 126268 KCS 126276 KCS 126284 KCS 126292 KCS 126306 KCS 126314 KCS 126322 KCS 126331 KCS 126349 KCS 126357 KCS 126365 KCS 126373 KCS 126381 KCS 126390

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>
		KCS 126403
		KCS 126411
		KCS 126420
		KCS 126438
		KCS 126446
		KCS 126454
		KCS 126462
		KCS 126471
		KCS 126489
		KCS 126497
		KCS 126501
		KCS 126519
		KCS 126527
		KCS 126535
		KCS 126543
		KCS 126551
		KCS 126560
		KCS 126578
		KCS 126586
		KCS 126594
		KCS 126608
		KCS 126616
		KCS 126624
		KCS 126632
		KCS 126641
		KCS 126659
		KCS 126667
		KCS 126675
		KCS 126683
		KCS 126691
		KCS 126705
		KCS 126713
		KCS 126721
		KCS 126730
		KCS 126748
		KCS 126756
		KCS 126764
		KCS 126772
		KCS 126781
		KCS 126799
		KCS 126802
		KCS 126811
		KCS 126829

<u>Type</u>	<u>Quantity</u>	<u>Lessee's</u> <u>Road Numbers</u>
		KCS 126837
		KCS 126845
		KCS 126853
		KCS 126861
		KCS 126870
		KCS 126888
		KCS 126896
		KCS 126900
		KCS 126918
		KCS 126926
		KCS 126934
		KCS 126942
		KCS 126951
		KCS 126969
		KCS 126977
		KCS 126985
		KCS 126993
		KCS 127001
		KCS 127019
		KCS 127027
		KCS 127035
		KCS 127043
		KCS 127051
		KCS 127060
		KCS 127078
		KCS 127086
		KCS 127094
		KCS 127108
		KCS 127116
		KCS 127124
		KCS 127132
		KCS 127141
		KCS 127159
		KCS 127167
		KCS 127175
		KCS 127183
		KCS 127191
		KCS 127205
		KCS 127213
		KCS 127221
		KCS 127230
		KCS 127248
		KCS 127256

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>
		KCS 127264
		KCS 127272
		KCS 127281
		KCS 127299
		KCS 127302
		KCS 127311
		KCS 127329
		KCS 127337
		KCS 127345
		KCS 127353
		KCS 127361
		KCS 127370
		KCS 127388
		KCS 127396
		KCS 127400
		KCS 127418
		KCS 127426
		KCS 127434
		KCS 127442
		KCS 127451
		KCS 127469
		KCS 127477
		KCS 127485
		KCS 127493
100 Ton	200	KCS 116009
50' 6"		KCS 116017
Box Cars		KCS 116025
With Lading		KCS 116033
Anchors		KCS 116041
		KCS 116050
		KCS 116068
		KCS 116076
		KCS 116084
		KCS 116092
		KCS 116106
		KCS 116114
		KCS 116122
		KCS 116131
		KCS 116149
		KCS 116157
		KCS 116165

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>
		KCS 116173
		KCS 116181
		KCS 116190
		KCS 116203
		KCS 116211
		KCS 116220
		KCS 116238
		KCS 116246
		KCS 116254
		KCS 116262
		KCS 116271
		KCS 116289
		KCS 116297
		KCS 116301
		KCS 116319
		KCS 116327
		KCS 116335
		KCS 116343
		KCS 116351
		KCS 116360
		KCS 116378
		KCS 116386
		KCS 116394
		KCS 116408
		KCS 116416
		KCS 116424
		KCS 116432
		KCS 116441
		KCS 116459
		KCS 116467
		KCS 116475
		KCS 116483
		KCS 116491
		KCS 116505
		KCS 116513
		KCS 116521
		KCS 116530
		KCS 116548
		KCS 116556
		KCS 116564
		KCS 116572
		KCS 116581
		KCS 116599

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>
		KCS 116602
		KCS 116611
		KCS 116629
		KCS 116637
		KCS 116645
		KCS 116653
		KCS 116661
		KCS 116670
		KCS 116688
		KCS 116696
		KCS 116700
		KCS 116718
		KCS 116726
		KCS 116734
		KCS 116742
		KCS 116751
		KCS 116769
		KCS 116777
		KCS 116785
		KCS 116793
		KCS 116807
		KCS 116815
		KCS 116823
		KCS 116831
		KCS 116840
		KCS 116858
		KCS 116866
		KCS 116874
		KCS 116882
		KCS 116891
		KCS 116904
		KCS 116912
		KCS 116921
		KCS 116939
		KCS 116947
		KCS 116955
		KCS 116963
		KCS 116971
		KCS 116980
		KCS 116998
		KCS 117005
		KCS 117013
		KCS 117021

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>
		KCS 117030
		KCS 117048
		KCS 117056
		KCS 117064
		KCS 117072
		KCS 117081
		KCS 117099
		KCS 117102
		KCS 117111
		KCS 117129
		KCS 117137
		KCS 117145
		KCS 117153
		KCS 117161
		KCS 117170
		KCS 117188
		KCS 117196
		KCS 117200
		KCS 117218
		KCS 117226
		KCS 117234
		KCS 117242
		KCS 117251
		KCS 117269
		KCS 117277
		KCS 117285
		KCS 117293
		KCS 117307
		KCS 117315
		KCS 117323
		KCS 117331
		KCS 117340
		KCS 117358
		KCS 117366
		KCS 117374
		KCS 117382
		KCS 117391
		KCS 117404
		KCS 117412
		KCS 117421
		KCS 117439
		KCS 117447
		KCS 117455

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>
		KCS 117463
		KCS 117471
		KCS 117480
		KCS 117498
		KCS 117501
		KCS 117510
		KCS 117528
		KCS 117536
		KCS 117544
		KCS 117552
		KCS 117561
		KCS 117579
		KCS 117587
		KCS 117595
		KCS 117609
		KCS 117617
		KCS 117625
		KCS 117633
		KCS 117641
		KCS 117650
		KCS 117668
		KCS 117676
		KCS 117684
		KCS 117692
		KCS 117706
		KCS 117714
		KCS 117722
		KCS 117731
		KCS 117749
		KCS 117757
		KCS 117765
		KCS 117773
		KCS 117781
		KCS 117790
		KCS 117803
		KCS 117811
		KCS 117820
		KCS 117838
		KCS 117846
		KCS 117854
		KCS 117862
		KCS 117871
		KCS 117889

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>
		KCS 117897
		KCS 117901
		KCS 117919
		KCS 117927
		KCS 117935
		KCS 117943
		KCS 117951
		KCS 117960
		KCS 117978
		KCS 117986
		KCS 117994
100 Ton	100	KCS 151009
50' 6"		KCS 151017
Box Cars		KCS 151025
With		KCS 151033
Movable		KCS 151041
Bulkheads		KCS 151050
		KCS 151068
		KCS 151076
		KCS 151084
		KCS 151092
		KCS 151106
		KCS 151114
		KCS 151122
		KCS 151131
		KCS 151149
		KCS 151157
		KCS 151165
		KCS 151173
		KCS 151181
		KCS 151190
		KCS 151203
		KCS 151211
		KCS 151220
		KCS 151238
		KCS 151246
		KCS 151254
		KCS 151262
		KCS 151271
		KCS 151289
		KCS 151297

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>
		KCS 151301
		KCS 151319
		KCS 151327
		KCS 151335
		KCS 151343
		KCS 151351
		KCS 151360
		KCS 151378
		KCS 151386
		KCS 151394
		KCS 151408
		KCS 151416
		KCS 151424
		KCS 151432
		KCS 151441
		KCS 151459
		KCS 151467
		KCS 151475
		KCS 151483
		KCS 151491
		KCS 151505
		KCS 151513
		KCS 151521
		KCS 151530
		KCS 151548
		KCS 151556
		KCS 151564
		KCS 151572
		KCS 151581
		KCS 151599
		KCS 151602
		KCS 151611
		KCS 151629
		KCS 151637
		KCS 151645
		KCS 151653
		KCS 151661
		KCS 151670
		KCS 151688
		KCS 151696
		KCS 151700
		KCS 151718
		KCS 151726

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>
		KCS 151734
		KCS 151742
		KCS 151751
		KCS 151769
		KCS 151777
		KCS 151785
		KCS 151793
		KCS 151807
		KCS 151815
		KCS 151823
		KCS 151831
		KCS 151840
		KCS 151858
		KCS 151866
		KCS 151874
		KCS 151882
		KCS 151891
		KCS 151904
		KCS 151912
		KCS 151921
		KCS 151939
		KCS 151947
		KCS 151955
		KCS 151963
		KCS 151971
		KCS 151980
		KCS 151998

SCHEDULE B TO LEASE

Casualty Values

<u>Date</u>	<u>Percentage of Purchase Price*</u>
January 25, 1978 and prior thereto	103.72
July 25, 1978	103.91
January 25, 1979	103.85
July 25, 1979	103.49
January 25, 1980	103.00
July 25, 1980	102.93
January 25, 1981	94.16
July 25, 1981	92.89
January 25, 1982	91.41
July 25, 1982	90.67
January 25, 1983	81.03
July 25, 1983	79.02
January 25, 1984	76.87
July 25, 1984	75.43
January 25, 1985	65.32
July 25, 1985	62.81
January 25, 1986	60.22
July 25, 1986	57.52
January 25, 1987	54.75
July 25, 1987	51.90
January 25, 1988	48.96
July 25, 1988	45.95
January 25, 1989	42.90
July 25, 1989	39.77
January 25, 1990	36.60
July 25, 1990	33.38
January 25, 1991	30.12
July 25, 1991	26.83
January 25, 1992	23.51
July 25, 1992 and thereafter	20.00

* As defined in the Security Documentation.